

Union Calendar No. 629

115TH CONGRESS
2D SESSION

H. R. 5749

[Report No. 115–810]

To require the appropriate Federal banking agencies to increase the risk-sensitivity of the capital treatment of certain centrally cleared options, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 10, 2018

Mr. HULTGREN introduced the following bill; which was referred to the Committee on Financial Services

JULY 10, 2018

Additional sponsor: Mr. FOSTER

JULY 10, 2018

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on May 10, 2018]

A BILL

To require the appropriate Federal banking agencies to increase the risk-sensitivity of the capital treatment of certain centrally cleared options, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 *This Act may be cited as the “Options Markets Sta-*
5 *bility Act”.*

6 **SECTION 2. RULEMAKING.**

7 *Within 180 days of the date of enactment of this Act,*
8 *the Board of Governors of the Federal Reserve System, the*
9 *Federal Deposit Insurance Corporation, and the Compt-*
10 *troller of the Currency shall, jointly, issue a proposed rule,*
11 *and finalize such rule within 360 days of the date of enact-*
12 *ment of this Act, to adopt a methodology for calculating*
13 *the counterparty credit risk exposure, at default, of a depos-*
14 *itory institution, depository institution holding company,*
15 *or affiliate thereof to a client arising from a guarantee pro-*
16 *vided by the depository institution, depository institution*
17 *holding company, or affiliate thereof to a central*
18 *counterparty in respect of the client’s performance under*
19 *a derivative contract cleared through that central*
20 *counterparty pursuant to the risk-based and leverage-based*
21 *capital rules applicable to depository institutions and de-*
22 *pository institution holding companies under parts 3, 217,*
23 *and 324 of title 12, Code of Federal Regulations. In issuing*
24 *such rule, the Board of Governors of the Federal Reserve*

1 *System, the Federal Deposit Insurance Corporation, and*
2 *the Comptroller of the Currency shall consider—*

3 *(1) the availability of liquidity provided by mar-*
4 *ket makers during times of high volatility in the cap-*
5 *ital markets;*

6 *(2) the spread between the bid and the quote of-*
7 *ffered by market makers;*

8 *(3) the preference for clearing through central*
9 *counterparties;*

10 *(4) the safety and soundness of the financial sys-*
11 *tem and financial stability, including the benefits of*
12 *central clearing;*

13 *(5) the safety and soundness of individual insti-*
14 *tutions that may centrally clear derivatives or options*
15 *on behalf of a client, including concentration of mar-*
16 *ket share;*

17 *(6) the economic value of delta weighting a*
18 *counterparty's position and netting of a counter-*
19 *party's position;*

20 *(7) the inherent risk of the positions;*

21 *(8) barriers to entry for depository institutions,*
22 *depository institution holding companies, affiliates*
23 *thereof, and entities not affiliated with a depository*
24 *institution or depository institution holding company*

1 *to centrally clear derivatives or options on behalf of*
2 *market makers;*

3 *(9) the impact any changes may have on the*
4 *broader capital regime and aggregate capital in the*
5 *system; and*

6 *(10) consideration of other potential factors that*
7 *impact market making in the options market, includ-*
8 *ing changes in market structure.*

9 **SEC. 3. REPORT TO CONGRESS.**

10 *At the end of the 5-year period beginning on the date*
11 *the final rule is issued under section 1, the Board of Gov-*
12 *ernors of the Federal Reserve System shall submit to the*
13 *Committee on Financial Services of the House of Represent-*
14 *atives and the Committee on Banking, Housing, and Urban*
15 *Affairs of the Senate a report detailing the impact of the*
16 *final rule during such period on the factors described under*
17 *paragraphs (1) through (10) of section 2.*

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